

EX PARTE OR LATE FILED

RECEIVED



MCI Communications
Corporation

1801 Pennsylvania Ave., NW
Washington, DC 20006
202 887 2601

Donald Evans
Director
Regulatory Affairs

SEP 10 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 10, 1993

DOCKET FILE COPY ORIGINAL

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: EX-PARTE, CC Docket No. 92-296

Dear Mr. Caton:

In accordance with the Commission's Rules governing EX-PARTE communications, please be advised that on September 10, 1993, the attached written ex-parte was sent to Chairman Quello and Commissioners Barrett and Duggan.

Please place a copy of this notice and the attached in the record of this proceeding.

Sincerely,


Donald P. Evans

No. of Copies rec'd 041
List A B C D E



MCI Telecommunications
Corporation

1801 Pennsylvania Ave., N.W.
Washington, D.C. 20006
202 887 2397

James L. Lewis
Vice-President
Regulatory Affairs

RECEIVED

SEP 10 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 9, 1993

James H. Quello, Interim Chairman
Andrew C. Barrett, Commissioner
Ervin S. Duggan, Commissioner
Federal Communications Commission
Washington, D.C. 20554

Dear Mr. Chairman and Commissioners:

During the past several months, the Commission has been accepting comments on simplification of its current depreciation rules. Although the Commission, in its Notice of Proposed Rulemaking, sought views on four options, commenting parties have polarized to two of these options. Ratepayers, including MCI, have urged the Commission to make no change to its current rules or, at worst, to adopt a range of remaining lives (option 1) if the Commission ultimately decides reform of its current rules is warranted. State Regulatory Commissions also believe no reform is warranted. On the other hand, local exchange carriers (LEC's) have asked the Commission to abandon any and all meaningful accounting safeguards and thus allow them to book whatever depreciation expense they wish (option 4). MCI cannot support this LEC request and believes it would be completely inappropriate for the Commission to virtually eliminate its current method of prescribing depreciation rates.

LECs have told the Commission that by eliminating the current depreciation rules they would "save" millions of dollars. These savings are based on claims that the current rules result in excessive expenses associated with the studies and data required for the triennial prescription process. To the extent there is any truth to this claim, -- and MCI questions the level of projected savings -- the LEC's have identified an opportunity to become more efficient. Greater productivity in depreciation management will translate to



Interim Chairman Quello
Commissioner Barrett
Commissioner Duggan
Page Two

The LECs have also made certain claims regarding depreciation rules and plant modernization. According to the LECs their current prescriptions are inadequate to fund infrastructure development. This claim is plainly not true. Publicly available data reveal that the LECs have ample reserves to pay for construction of new plant. In fact, the LECs' depreciation reserves stand at approximately 40 percent of their gross plant investments, an all time high. Also, the LECs' cash flow, or funds from ratepayers, clearly shows that there are ample funds for their construction programs. Ratepayers have made more than their fair share of contribution to the LECs' treasury.

In closing, I would like to remind you of one additional fact. The Commission's price cap rules require LECs to share excessive earnings with ratepayers. Elimination of the current depreciation rules would, in effect, constitute a complete revamping of the sharing rules. This is because LECs could make excessive earnings disappear by booking greater depreciation expense. Thus, granting the LECs' request would remove a key component of the Commission's price cap scheme. Taking such a step in isolation, without simultaneously reviewing the LECs cost of capital and other components of the price cap rules, would remove any balance that exists between ratepayers and LEC shareholders with shareholders becoming the sole beneficiaries.

Sincerely,

A handwritten signature in dark ink, appearing to read "James L. Lewis", written over a faint circular stamp.

James L. Lewis
Vice President Regulatory Affairs